BOX 8.4: CASE STUDY: TRAVEL AGENCIES IN AUSTRALIA – THE RISE OF FLIGHT CENTRE AS A RETAILER

The Australian tourism sector has experienced considerable growth in recent years, with inbound tourism worth AU$9.1 billion in 2006, and the sector employing almost 500,000 people. Like Europe, the Australian tourism industry has seen a contraction in the number of travel agencies, with the number of businesses dropping from 3174 in 2000–2001 to 2968 in 2005. The sector has a high staff:agency ratio with around 23,000 employees accounting for around 75 per cent of travel agency overheads. Like Europe, the market has seen considerable consolidation with the top four retailers controlling 40 per cent of revenue – this equates to around AU$2338 million for the entire sector. The top four retailers are:

- Flight Centre
- Jetset Travel World
- Harvey World Travel
- Travelscene

and Flight Centre dominates with a 34 per cent market share.

The three markets which the Australian travel agency sector serves are Australian’s travelling overseas (65 per cent), Australians travelling domestically (15 per cent) and international visitors to Australia (20 per cent). The internet has had a major impact on the travel agency sector, supplanting it in 2005 as the most popular booking method. Around 10 per cent of the Australian population take an overseas trip each year, though only 1 per cent travel overseas more than once a year.

Among the principal challenges facing Australian travel agents is the way they respond to the decline in commissions from airlines and online competition. Some opportunities exist in non-price-based elements such as the ease of access they provide to their corporate clients and the role of word-of-mouth recommendation. Opportunities also exist in terms of charging for professional services they offer and in developing new niches such as group travel.

The challenge of a rapidly changing market is exemplified in the case of Flight Centre, originally established in 1981. It expanded from 200 outlets to 1181 in 2005 to 1500 in 2007, in 30 countries employing over 5800 staff. The company located its outlets initially in central city areas and popular shopping malls. It moved into internet ticket sales in 2000 and in Australia built alliances with airlines such as Qantas and Virgin Blue to sell
airline seats. As airline seat commissions dropped, it began selling land-based transport and cruises. The company had a turnover measured on the value of sales of AU$7.8 billion in 2007 and its retail brands include Flight Centre Limited, Student Flights, Escape Travel, Travel Associates (selling luxury travel) and Overseas Working Holidays. It also has brands in the corporate travel market as well as in student travel (e.g. Campus Travel). The major investment of AU$10 million in ICTs in 2004 to improve online bookings led the company to also purchase travelthere.com in 2005 and by 2006 it was cited as the top Australian travel agency website (flightcentre.com.au).

Expansion into the USA and India in 2006 and 2007 saw the company continue its expansionist strategy of 20 per cent growth per annum despite the challenge of other online booking agencies. Much of the company’s success may be attributed to the way in which it tries to stay ahead of its competitors, such as through global expansion and use of ICTs.

some travel agent chains have managed to go against the trend and embrace other technologies and markets to expand their travel agency business in recent years.

**CONCLUSION**

Travel agents will have to evaluate constantly how to protect commission levels and how to reach a highly fragmented travel market, as ICT establishes more niches. The pressure on independent travel agents in a highly competitive environment is set to continue, but new promotional tools and modes of distribution will see agents use marketing and advertising to maintain a presence. For example, rebranding holidays under agency names, such as Thomas Cook’s initiative, or offering no deposit bookings; offering clients home-based sales visits; and using technology to retain face-to-face contact whilst improving ease of sales will certainly be a trend for the future. However, technology has certainly redefined the role of the agent and the tour operator with even the more traditional tour operator role in question, as dynamic packaging and low-cost airline accommodation sales challenging the traditional notion of a package holiday.